

Section 2

Audit Requirements

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Title 1, School Audit Requirements

Purpose and Frequency of Audits

To maintain a public trust, the board of education and its employees are required to account for all money and other assets for which they are responsible. The purpose of school audits is to ensure accountability for the safekeeping and proper handling of school funds and to determine compliance with the Manual. The auditor should direct audit findings and recommendations and other comments to the board of education and to the respective school principal(s).

School activity and other internal funds maintained by each school must be audited annually in accordance with Section 49-2-112, *TCA*. (Refer to Appendix A for text of this statute.)

Auditors

The annual audit must be prepared by a certified public accountant in good standing with the Tennessee State Board of Accountancy, or by the Comptroller of the Treasury. When considered necessary by the board of education, audits other than the annual audit may be performed by independent accountants, if approved by the Office of the Comptroller. Audits may be performed by internal audit staff, as long as the audits are performed in accordance with audit standards established by the Comptroller of the Treasury.

Audit Standards and Approval

The accounts and records of each individual school must be maintained in accordance with the Manual. Audits of student activity and other internal school funds must be conducted in accordance with generally accepted government auditing standards. While the board of education has a responsibility to review and approve each school audit report, an audit will not be considered as having met the requirements of Section 49-2-112, *TCA*, until the board has been so notified by the Comptroller of the Treasury.

Contract to Audit Accounts

A uniform Contract to Audit Accounts (prepared and distributed by the Comptroller of the Treasury) must be completed by the auditor and the board of education, subject to the approval of the Comptroller of the Treasury. The Contract to Audit Accounts should be awarded and finalized by September 30 of the fiscal year to be audited to permit the auditor to properly plan and perform certain audit procedures during the regular school year. (For example, applicable USDA procedures must be performed while students are in attendance.)

The board of education should ensure that all special audit procedures (such as USDA procedures for centralized county food service systems) are addressed in the special provision section of the Contract to Audit Accounts.

The board of education must send three signed copies of the Contract to Audit Accounts to the Comptroller of the Treasury for approval. At least one copy of the contracts submitted must include original signatures of all parties.